

**HELLABY HOLDINGS LIMITED**

**Annual results summary**  
**for the year to June 2007**

John Williamson  
Chief Executive Officer

Richard Jolly  
Chief Financial Officer

27 August 2007

# Overview – as at 30 June 2007

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- Overall decline in profitability due to:
  - Difficult trading conditions, and
  - One off transactions
- Strategic review of businesses undertaken
- Tightened investment performance criteria for all assets
- FY 2008 target for EBITDA (net of one-offs) of around \$45m
  - in line with recent years

# Financial summary

	2007 NZ IFRS \$'000	2006 NZ IFRS \$'000	2005 NZ IFRS \$'000
Gross trading surplus	37,017	50,118	44,940
Administration	3,028	2,548	1,912
Trading surplus before depreciation & interest	33,989	47,570	43,028
Depreciation	8,799	10,027	9,064
Amortisation	1,030	570	422
Interest	10,388	9,601	5,806
Net trading surplus	13,772	27,372	27,736
Other:			
Surplus on sale of assets	322	8,850	778
Surplus on sale of shares	0	1,382	0
Goodwill impairment	(18,792)	(5,119)	0
Operating (deficit) / surplus	(4,698)	32,485	28,514
Less tax	5,131	9,349	6,296
Plus one-off tax benefits	0	0	978
Operating (deficit) / surplus after tax	(9,829)	23,136	23,196

# FY 2007 - one off impacts

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- (\$18.8m)** BBQ Factory goodwill and brands impairment
- (\$2.4m)** Forward exchange contract costs required to be expensed under IAS 39, plus stock adjustments
- (\$0.9m)** Costs incurred in relation to strategic review for retail footwear
- (\$0.4m)** Severance costs associated with previous CEO retirement

# Divisional performance

	<u>Turnover (\$m)</u>		<u>EBIT (\$m)</u>	
	FY 2007	FY 2006	FY2007	FY2006
Automotive	118.5	100.9	12.8	14.0
Industrial	134.3	129.9	6.2	9.6
Retail - Ongoing operations	191.7	176.8	6.7	9.8
- Discontinued operations		42.7		3.9
Diversified	41.5	42.4	2.6	2.9
	486.0	492.7	28.3	40.2

# Balance Sheet

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	2007 NZ IFRS \$000	2006 NZ IFRS \$000	2005 NZ IFRS \$000
Current assets	185,717	180,077	145,574
Non-current assets	119,123	123,366	101,149
	<hr/> 304,840	<hr/> 303,443	<hr/> 246,723
Current liabilities	87,695	78,154	53,646
Non-current liabilities	136,507	111,755	86,328
	<hr/> 224,202	<hr/> 189,909	<hr/> 139,974
Equity	80,638	113,534	106,749

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# Debt / Capital structure

	2007 NZ IFRS \$000	2006 NZ IFRS \$000	2005 NZ IFRS \$000
Core borrowings	84,500	43,000	83,000
Capital notes (net)	48,525	48,152	-
Other borrowings / cash balances	1,218	14,435	4,897
	<b>134,243</b>	<b>105,587</b>	<b>87,897</b>
Equity	80,638	113,534	106,749
Debt / Debt + Equity	62%	48%	44%
Equity / Total Assets	26%	37%	43%

# Operating review

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BBQ Factory

Footwear retail

Automotive parts

Industrial equipment

Diversified

# BBQ Factory

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## Several initiatives commenced in FY 2007

- Rationalisation of outlets
- Refurbishment programme - rebranding
- Marketing repositioning

## Traction still to be gained

- recent strategic review of business
- Decision to recognise **\$18.8m goodwill & brands impairment**

## Further initiatives for FY 2008 include

- Product mix and sourcing improvements
- Upgraded information systems
- Optimise mix of own/franchise stores
- New store Mt Wellington (September 2007)

# Footwear retail

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## Strategic review nearing completion

- Ownership retained for time being

## No 1 Shoes

- 5 new stores during FY 2007, 6 planned for FY 2008
- Significant second half improvement – same store sales up 8%; second half EBIT 20% higher year-on-year
- Move to 100% ownership on 31 August
- Ongoing investment in expansion and branding

## Hannahs

- Similar market conditions to No 1 Shoes –weak Christmas trading
- Management confident about FY 2008 performance
- Rebranding programme – store upgrades and brand advertising

# Retail division

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Revenue - \$191.7m (down 12.7%)    EBIT - \$6.7m (down 51.1%)

FY 2006 results include \$42.7m of revenue and \$3.9m of EBIT for Rodd & Gunn, sold effective 30 June 2006

# Automotive parts division

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Revenue - \$118.5m (up 17.4%)    EBIT - \$12.8m (down 8.6%)

## Brake & Transmission (BNT)

- Hit by currency hedging and IAS 39
- Growth continued through new outlet and product expansion
- Second half EBIT 16% higher year-on-year
- Acquired HCB Technologies and NZ Brake Co

## Diesel Distributors

- Slower than planned expansion into Australia – 4 Australian branches now established
- Appointed Australian distributor for 2 key brands – but benefits not realised in FY 2007
- Now well positioned for FY 2008 growth

# Industrial equipment division

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Revenue - \$134.3m (up 3.4%) EBIT - \$6.2m (down 35.4%)

## AB Equipment / AB Rental / Eurolift

- Difficult trading conditions in both supply and demand
- Currency hedging and stock adjustment impact
- Second half EBIT 10% higher year-on-year
- Record confirmed orders at start of current financial year

## TRS Tyre & Wheel

- Agricultural downturn but demand now improving
- Slower than planned expansion into Australia affected performance and profitability

# Diversified companies

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Revenue - \$41.5m (down 2.1%)    EBIT - \$2.6m (down 10.3%)

## Levana Textiles

- Improved revenue and profitability (despite increased rental of \$275k in FY 2007)

## Elldex Packaging

- Increased raw materials costs affected first half profit
- Strong growth prospects due to recent acquisitions and organic expansion

# Looking ahead

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New packaging division

Performance improvement initiatives

Portfolio strategy

Dividend policy

Profit outlook for FY 2008

# Packaging

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## Two post balance date acquisitions

- PPL Corporation – Wellington
- Chequer Packaging (in Receivership) – Christchurch

## Integration of three complementary businesses

## Formation of Eildex flexible packaging group

- Sales and profits expected to increase by >100% in FY 2008
- Strong existing positions in retail and rubbish bags
- Acquired strong positions in meat, horticultural and timber packaging

This approach represents a standard growth template for Hellaby

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# Performance improvement

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## Group-wide operational improvements

- Significant improvements sought
- Free cash flow - capital discipline and working capital efficiency
- Focus on operating margins
- Group-wide procurement project
- Same store sales growth

## Management communication and reporting

- Clarity of financial and performance objectives
- Alignment of leadership incentives

# Hellaby portfolio philosophy

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**Provide strong total shareholder returns through a mix of:**

- **smart acquisitions and divestments,**
- **investment in subsidiary growth, and**
- **unrelenting focus on operational performance**

# Portfolio strategy (1)

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## Portfolio strategy will be refined in coming year

- Clusters or divisions operating in clearly defined markets
- Develop clusters through initial acquisition and/or development of a platform business
- Growth through market development or 'bolt-on' acquisitions
- Reserve the right to opportunistically acquire or divest

## Currently four clear portfolio groupings

- Automotive parts
- Materials handling equipment (industrial)
- Packaging
- Footwear retail

# Portfolio strategy (2)

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## Short-medium term investment focus

- Industrial or distribution assets rather than retail

## Acquisitions

- Must increase shareholder value
- Traditional model is to buy undervalued or underperforming assets

## Retention

- Retain consistently profitable businesses that we can see growth opportunities for

## Divestments

- Pursue opportunities to add value to businesses before selling
- Assets will be divested if not performing, unable to grow or funds can be better invested elsewhere

# Dividend policy

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No final dividend will be distributed for the year to 30 June 2007

Dividend policy has been reviewed

- To allow for growth requirements and a prudent gearing level

New guidelines

- Approximately 50% of net tax-paid operating profits to be distributed
- Specific provision for one-off gains or losses on a case-by-case basis
- Imputation credits attached only if available from taxation payments

# Outlook for FY 2008

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## Economic

- Profit improvement targeted regardless of economic conditions

## EBITDA (net of one-offs) target for FY 2008

- Around the \$45 million achieved in recent years

# In summary

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- Underlying health of core businesses is good
- Hellaby will become a more active, hands-on owner of assets, with a 'buy, build, divest' investment philosophy
- FY 2008 to be a year of consolidation
  - Achieve group target EBITDA (net of one-offs)
  - Met budget for July 2007
  - Significant improvement in net working capital efficiency
  - Turnaround of BBQ Factory
- Clear focus across business to achieve this

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Questions?